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Held at the Vienna International Centre, Vienna,
on Tuesday, 19 November 2002, at 3 p.m.

President: Mr. HORVATH (Hungary)

CONTENTS

Agenda item		*Paragraphs*
-	Organization of work	1-2
3	Programmatic review, including system-wide issues (b) Implementation of medium-term programme framework, 2002-2005, including field representation and technology foresight	3-9
4	Medium-term programme framework, 2004-2007	
-	Statements by senior UNIDO staff	10-23
2	Report of the Programme and Budget Committee (*continued*) (a) Report of the External Auditor, financial performance report and programme performance report for the biennium 2000-2001 (*continued*) (b) Financial situation of UNIDO (*continued*) (c) Financial regulations (*continued*) (d) Mobilization of financial resources (*continued*) (e) Transition to a single currency system (*continued*)	24-72

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The meeting was called to order at 3.20 p.m.

ORGANIZATION OF WORK

1. **The PRESIDENT** said that the Bureau had decided to recommend that the Board should follow its previous practice and hold informal in-session consultations to facilitate the drafting of consensus decisions. The Bureau had also recommended that Mr. Yukio Takasu (Japan), in his capacity as Vice-President, should chair the consultation meetings. Draft decisions on items that had not yet been discussed in the plenary could be dealt with in the informal consultations, on the understanding that any item could, if necessary, be taken up again in the plenary.

2. *It was so decided.*

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES

(b) IMPLEMENTATION OF MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005, INCLUDING FIELD REPRESENTATION AND TECHNOLOGY FORESIGHT (IDB.26/7, IDB.26/7/Corr.1 and IDB.26/15)

MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (IDB.26/8 and IDB.26/15)

Note by Japan on the subject of improving UNIDO programme delivery (IDB.26/15)

3. **The PRESIDENT** invited the delegation of Japan to introduce the note contained in document IDB.26/15.

4. **Mr. TAKASU** (Japan) said that at the twenty-fifth session of the Board, while welcoming indications of UNIDO's stability resulting from its progress with financial and administrative reforms, Japan had stressed that management reform should be a continuous process aimed at improving the Organization's productivity. There had also been consensus that reform was only a step towards achieving the Organization's objectives, and that UNIDO's value might well be linked to its ability to achieve tangible results in its substantive programmes. He wished to reiterate that, while continuously encouraging management reforms, Japan would spare no effort to cooperate with a committed UNIDO in achieving tangible results in its substantive programmes and gaining better recognition among international development agencies. It believed, however, that within the scope of the 1997 Business Plan on the Role and Functions of UNIDO and the medium-term programme framework, 2002-2005, UNIDO needed to become a more sharply focused and effective organization producing concrete results in its substantive programmes. Additionally, the importance of clear guidelines and input from Member States in deliberations on the medium-term programme framework, 2004-2007, and the programme and budgets, 2004-2005, should not be underestimated.

5. Accordingly, Japan had initiated the formulation of a UNIDO strategy paper. Since then, intensive informal consultations had taken place. He could now report that a consensus had emerged from that process, which was set forth in document IDB.26/15. His delegation was grateful to all delegations that had participated in the consultations.

6. The document included two options under the subtitle. Japan would have preferred the wording "Strategic guidelines for the medium-term programme frameworks", but, in a spirit of flexibility and cooperation, could accept the wording "Strategic guidelines for the formulation and implementation of the medium-term programme frameworks 2002-2007".

7. The final document was the fruit of joint efforts by the Member States of UNIDO with the common objective of strengthening UNIDO's technical cooperation delivery. The exercise had prompted fuller discussions among Member States on programme priorities and substance. The support of the Director-General and his staff in the process had been invaluable.

8. Japan proposed a decision by the Board to adopt the strategic guidelines in document IDB.26/15 and to ask the Director-General to take them fully into account when implementing the current and future medium-term programme frameworks and budgets. He understood that there was still a reluctance in some quarters to adopt the proposed guidelines. His delegation strongly favoured their adoption, firstly because the document represented a consensus reached following six months' work by all interested Member States; secondly, the guidelines were complementary to the Business Plan already adopted by Member States' contributing to its effective and efficient implementation; thirdly, the real significance of the guidelines would lie in their implementation by the Secretariat and by staff in the field, but their formal adoption by the Board would be an important symbolic step. Moreover, adoption of the guidelines would demonstrate Member States' commitment to supporting UNIDO and improving its programme delivery.

9. **The PRESIDENT** thanked the delegation of Japan for its continuing and tireless efforts on behalf of UNIDO.

STATEMENTS BY SENIOR UNIDO STAFF

10. **Mr. FORNOCALDO** (Managing Director, Division of Administration) said that, during the two and a half months since his assumption of his post as Managing Director, the report of the External Auditor for the biennium 2000-2001 (IDB.26/2) had been a source of inspiration for him in evaluating the success achieved in the reform of the Organization and identifying those areas that required further improvement. Thus, for instance, there was clearly a need for improvement of monitoring systems in order to ensure maximum accountability, and for continuous assessment of management performance in order to ensure full transparency, particularly in areas such as purchasing and contracting where special vigilance was required. Proper mechanisms to control procurement would be put in place. A number of managers from the three Divisions had been invited to participate in a four-module Competency Improvement Programme on Procurement, which was expected to produce results by the end of the year 2002. It was also the intention to put together a system of internal control that would enable action to be taken on all the issues raised in the report of the External Auditor. The goal was threefold: to improve what was good; to avoid the emergence of additional weaknesses; and, above all, to eliminate the areas of weakness already identified.

11. Another project was a strategic planning exercise involving all managers and staff in his Division, the purpose of which was to measure the overall performance of the branches and services, provide a solid framework for the assessment of managers' individual performance and improve the functioning of the Division's planning and monitoring system. That exercise would also assist in supporting the work of the other two Divisions, particularly in the area of delegation of authority and responsibility to the UNIDO field offices, with particular emphasis on financial and human resources management.

12. Lastly, with regard to the provision of common services at the Vienna International Centre, it was his Division's intention to take a more proactive role by improving the quality of services provided to clients directly managed by UNIDO, and also by identifying additional areas where economies of scale could benefit all the organizations based in the Centre.

13. **Ms. FREUDENSCHUSS-REICHL** (Assistant Director-General and Director of the UNIDO New York Office) said that she wished to comment on the general purpose of the New York Office and the results achieved. In many respects the Office functioned as a UNIDO mission, providing information on UNIDO activities, reporting back to Headquarters on intergovernmental and inter-agency processes and ensuring that UNIDO's interests were safeguarded. With regard to intergovernmental processes, development issues were debated in the Second Committee of the General Assembly, where various themes of relevance to UNIDO were taken up every year. For example, draft resolutions on industrial development, on biotechnology and on operational activities were being debated at the current session. The Second Committee also debated macroeconomic questions and follow-up to major United Nations conferences. The current session had seen a very extensive debate on African development in the context of the New Partnership for Africa's Development (NEPAD). Development question were also discussed in the Economic and Social Council and the Commission on Sustainable Development. The preparatory processes for many major United Nations conferences took place in New York, and the New York Office provided inputs taking into account UNIDO's core mandates and incorporating technical inputs provided by Headquarters. South-South cooperation also constituted a very important area of involvement. Thus, the Office's task in the area of intergovernmental processes could be summarized as one of contributing to the global development discourse and the elaboration of frameworks for action.

14. Another facet of the Office's work was mainstreaming UNIDO into inter-agency processes. That work unfolded at various levels, the highest of which was that of the Chief Executives Board for Coordination, the biannual meeting of the executive heads of agencies of the United Nations system chaired by the Secretary-General, in which the Director-General of UNIDO participated. The medium-term focus of that body was implementation of the Millennium Declaration. A second level was that of the United Nations Development Group (UNDG), set up by the Secretary-General in 1997, which UNIDO had joined early in 2002. UNDG was the forum in which guidelines for the elaboration of country programme frameworks were defined. Those frameworks determined the structure of cooperation between the operational agencies and the country in which the programme was to be developed. One achievement of the New York Office had been to introduce a new indicator into the frameworks, measuring manufacturing value added. It was proposed, as a next step, to work on guidelines for a theme group focusing on technology cooperation or energy, for example. UNDG was the forum in which the Core Strategy for implementation of the Millennium Development Goals was formulated; it

was also a forum for discussing proposed reforms of the United Nations system, aspects of which were highlighted in document IDB.26/CRP.5. Lastly, inter-agency work included communication strategies, sector-specific cooperation and consultations on UNIDO initiatives with other potential actors.

15. New York was also an appropriate place from which to explain the benefits of membership to those States Members of the United Nations that were not yet Members of UNIDO, and to reach out to institutions such as the United Nations Foundation and the Global Compact, which offered access to the United States domestic constituency. Finally, the Office was attempting to realize the potential for cooperation with the Bretton Woods institutions and the Global Environment Facility (GEF).

16. **Mr. DI LISCIA** (Assistant Director-General and Director of the UNIDO Geneva Office) said that the Ministerial Declaration resulting from the Fourth Ministerial Conference of the World Trade Organization (WTO) held at Doha, Qatar, in November 2001, by placing technical cooperation and capacity-building at the core of the development dimension of the multilateral trading system, had provided the opportunity that UNIDO had been waiting for. UNIDO's presence in Geneva was crucial to exploiting that new momentum, and especially to tapping the financial resources that had been allocated for trade and development. It was in order to secure UNIDO's contribution that the Director-General had decided to strengthen the Office in Geneva.

17. In the new global context, trade had become a crucial issue. The Director-General's strategy on market access presented at the Monterrey Conference on Financing for Development was intended to enable developing countries to participate in global markets. The aim was to help them to increase productivity, facilitate trade and promote investment and technology flows. The strategy stressed the need for UNIDO to improve its relationship with development partners with a view to the implementation of joint cooperation programmes. In the past, the lack of a UNIDO presence in Geneva had meant that it was not involved from the outset in the various joint technical cooperation initiatives. UNIDO's trade-related efforts were little known and it lacked the exposure that would enable it to be treated as an equal partner in discussions of new technical cooperation schemes. Without the needed visibility, it would be very difficult for UNIDO to establish the necessary high-level dialogue. The main challenge facing him was to find solutions to those problems.

18. By strengthening the Geneva Office, UNIDO was redressing the weaknesses of the past. Priority was given to strengthening relations with the three Geneva-based organizations working in the field of trade, namely WTO, the International Trade Centre (ITC) and the United Nations Conference on Trade and Development (UNCTAD). Concrete achievements to be cited included, first, the fact that WTO now considered UNIDO a strategic partner for technical cooperation, especially in relation to supply-side development issues. The newly appointed Deputy Director-General of WTO, Dr. Rana, was visiting UNIDO in the course of the week, and concrete joint activities would undoubtedly emerge from that visit. Second, as was well known, UNIDO, in close cooperation with ITC and UNCTAD, had started a regional programme for market access facilitation in Central America. Third, a joint programme had been developed with UNCTAD to assess the challenges and opportunities for the least developed countries (LDCs) arising from the Development Agenda adopted at Doha.

19. Concerted efforts had been made to extend UNIDO's participation in the various WTO committees and working groups, and to ensure its participation in trade-related technical cooperation schemes such as the Joint Integrated Technical Assistance Programme (JITAP) and the Integrated Framework. It had managed to establish excellent relations with the WTO Trade and Development Committee. During a recent meeting of that Committee, the new WTO Director-General had elaborated on his new approach to WTO technical cooperation. An aspect of that approach relevant to UNIDO was the inclusion of supply-side capabilities in WTO technical assistance delivery. UNIDO had now been identified as a key partner on issues related to improving market access and supply-side constraints of developing countries.

20. UNIDO had assisted the WTO Technical Barriers to Trade (TBT) Committee in the preparation of a survey identifying and prioritizing developing countries' needs in the area concerned. UNIDO/WTO activities were reflected in the WTO work plan for 2003. UNIDO had also been involved in WTO seminars and had established fruitful contacts with the World Bank, with the United Kingdom Department for International Development and with the German Agency for Technical Cooperation (GTZ). A possible joint UNIDO-GTZ programme on TBT and sanitary and phytosanitary measures was being discussed; it was hoped that that might lead to a relaunch of the German voluntary contribution to UNIDO.

21. As a result of efforts by the Geneva Office, UNIDO had been granted observer status in the Working Group on Trade and Transfer of Technology. The UNIDO Environmental Management Branch had also identified activities that UNIDO could undertake in the WTO Committee on Trade and Environment.

22. UNIDO needed to further develop and strengthen its relations with the European Commission. With a view to fostering closer relations, he had recently met with the Head of the Commission Unit responsible for relations with the United Nations system, to discuss the new modalities for cooperation between the Commission and its partners under the new financial regulations due to enter into force in January 2003. At a second meeting, with the Deputy Director-General of the EuropeAid Co-operation Office, it had been decided to hold a UNIDO/EuropeAid experience-sharing workshop in Brussels in December 2002, with a view to broadening the fields for cooperation. That exercise should allow UNIDO to gain access to more European funds for the implementation of its programmes.

23. During his first year in Geneva he had witnessed the tremendous contribution UNIDO was making to trade, environmental issues and the development of productive capacities in developing countries. Unfortunately, much of that contribution went unrecognized. Unless more effort was devoted to marketing the Organization's activities, its achievements would be ignored and it would receive fewer new funds than it deserved. It was to those ends that the Geneva Office had been channelling its energies.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.26/13)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001 (*continued*) (IDB.26/2, IDB.26/3 and IDB.26/5; IDB.25/2 and Add.1)

(b) FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.26/9; IDB.26/CRP.2)

(c) FINANCIAL REGULATIONS (*continued*) (IDB.26/1/Add.1)

(d) MOBILIZATION OF FINANCIAL RESOURCES (*continued*) (IDB.26/6; IDB.25/2 and Add.1)

(e) TRANSITION TO A SINGLE CURRENCY SYSTEM (*continued*) (IDB.26/4)

24. **Mr. SREENIVASAN** (India), speaking on behalf of the Asian Group, said that it was encouraging to note the observation by the External Auditor that the Organization had now achieved relevance, financial stability, improved technical cooperation delivery and improved quality of services offered through more focused activities (IDB.26/2, para. 136). Increased delivery of technical cooperation activities by the new reformed UNIDO could not but be to the benefit of Member States. The Group noted that the decline in technical cooperation delivery had been mitigated by increased Montreal Protocol activities, which, however, might gradually phase out after completion of the corresponding projects.

25. The Group also noted that the first phase of the new Financial Performance Control System (FPCS) had been successfully implemented, and that the Special Account for Programme Support had stabilized. The fact that the ratio of female Professional staff had improved was encouraging, and that trend should continue. The Group also called on the Director-General to continue efforts to ensure equitable geographical representation in Secretariat posts at all levels.

26. The Group noted the Director-General's intention to appoint a Comptroller General. It was to be hoped that the functioning of UNIDO's internal oversight services would improve in the light of the External Auditor's observations and of Programme and Budget Committee (PBC) conclusion 2002/2.

27. On the financial situation of UNIDO, it was satisfying to note a significant improvement in the rate of collection of assessed contributions. However, the Group was concerned at the number of Member States whose voting rights had been suspended owing to non-payment of contributions and arrears. It urged all Member States and former Member States that had not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years' arrears, to do so at an early date, and requested the Director-General to continue his efforts to effect the collection of arrears.

28. Mobilization of financial resources remained one of the most critical areas for the functioning of the Organization. The Group urged UNIDO to redouble its efforts to enhance its technical cooperation activities and thus assist developing countries in enhancing their industrial capacities.

29. The Group also wished to draw attention to the poor status of fund availability for the integrated programmes and country service frameworks. Only about 31 per cent of the total required funds had been

available at the end of 2001. The situation was particularly unsatisfactory in the case of the Asia and Pacific region, where in some cases the percentage of funds available for planned activities was a single-digit percentage. UNIDO should redouble its efforts to mobilize much-needed funds for the integrated programmes and country service frameworks.

30. **Mr. MOLEAH** (Observer for South Africa), speaking on behalf of the African Group, began by welcoming the appointment of the new Managing Directors, in terms both of geographical and regional representation and of gender balance. On sub-item (a) of the agenda item, he said that the drastic decrease in technical cooperation delivery over the past decade was of great concern to the Group. UNIDO should remain focused in its technical cooperation activities and find innovative ways of ensuring that technical cooperation in developing countries was prioritized alongside the new activities being developed. The Group also encouraged the Secretariat and Member States to continue their efforts to stabilize the financial situation.

31. The African Group noted with concern the high rate of non-utilized balances in 2000-2001 in the main technical cooperation programmes, including the Africa regional programme and activities under the Second Industrial Development Decade for Africa, with over 50 per cent of the funds assigned redeployed to other programmes. It urged the Secretariat to introduce a more balanced regional distribution of projects under GEF funding. Furthermore, as pointed out by the External Auditor, the reality of local socio-economic conditions should be taken into account in project formulation and implementation in order to strengthen the impact of projects. The Group also shared the External Auditor's view that detailed evaluations of global forum activities were a necessary precondition for a timely and efficient incorporation of the respective strategic outputs into UNIDO's work, and called upon UNIDO to establish synergies between those activities and country-designed integrated programmes.

32. The Group noted the External Auditor's positive assessment of the overall performance of UNIDO. It considered that UNIDO should improve its service delivery and measurable outcomes in order to enhance its international image and attain its goals. It welcomed the contributions of the External Auditor to improving the economy, efficiency and effectiveness of financial and operational procedures. The Internal Oversight Group should be strengthened through adequate staffing, with the deployment of a qualified investigator of areas of risk.

33. On sub-item (b), the Group noted the improved rate of collection of 2002 assessed contributions and encouraged all Member States, including former Members, to honour their obligations in full and on time. Concerned at the large number of Member States whose voting rights had been suspended, it called on all Member States to pay their arrears in full and to arrange payment plans with the Director-General.

34. Regarding progress made on mobilizing financial resources for technical cooperation activities, the African Group recalled the decision adopted at the twenty-fifth session of the Board on fund mobilization for integrated programmes, welcomed new offers of funding for such programmes and requested the Director-General to maintain a continuous dialogue with Member States in order to sustain resource mobilization. The Group attached great importance to the mobilization of financial resources for UNIDO's programmes and was pleased to note the Director-General's report on the measures adopted to boost financial resources for the implementation of programmes, particularly the integrated programmes. It welcomed the Director-General's proposal to donors and Member States to target funding of integrated programmes as the first priority for the biennium 2003-2004; it commended the Director-General for exploring innovative means of fund mobilization, particularly the thematic partnerships with selected donors and the ideas for programmable funds, project grouping and cooperation in project conceptualization. The Group thanked those donors who had contributed under the theme "Enabling developing countries to participate in international trade—strengthening the supply capacity". Lastly, it commended the Director-General for recommitting UNIDO to striving for industrial development and poverty alleviation in developing countries, as demonstrated at the Monterrey Conference and by UNIDO's initiative at the World Summit on Sustainable Development.

35. **Mr. NAQVI** (Pakistan) expressed satisfaction at the External Auditor's positive assessment of the overall performance of UNIDO, especially with regard to financial management and maintenance of accounts. UNIDO was also to be commended for having been able to introduce the new Financial Performance Control System using its own resources, at comparatively low cost. His delegation hoped that UNIDO would continue to improve gender balance in Secretariat posts, and to ensure equitable geographical representation so that more countries within each region were represented in the Secretariat. It also noted the significant improvement in the rate of collection of contributions.

36. However, insufficient availability of funds for the integrated programmes continued to be a source of concern. His delegation urged the donor community to

provide more funds for those programmes and called upon the Secretariat to redouble it efforts to that end. At the same time, economic viability of projects must be the main consideration in the formulation of integrated programmes, so that scarce resources were not wasted on incomplete or stalled projects. The performance evaluation mechanism should include an overview of efforts made by integrated programme teams to mobilize external and internal funds for projects. Recipient countries might also become involved in the organization of donor conferences and country promotion seminars. The Government of Pakistan had already indicated its willingness to participate in organizing such events for the promotion of Pakistan's integrated programme. His delegation looked forward to a concrete proposal from UNIDO for fund mobilization efforts through such approaches, and hoped that the Executive Committee of UNIDO would release the much-needed funds already informally pledged for Pakistan's integrated programme.

37. **Mr. PAULINICH** (Peru) said that his delegation supported all the draft decisions recommended in the report of the Programme and Budget Committee on the work of its eighteenth session (IDB.26/13) for adoption by the Board. The decisions recommended would send a clear message of support for the efforts by countries with fewer resources to achieve sustainable industrial development. In particular, the adoption of the draft decision recommended in conclusion 2002/3 (IDB.26/13, para. 14) would enable UNIDO to use the unencumbered balance of appropriations referred to in General Conference decision GC.9/Dec.10 to finance integrated programmes. Peru also attached special importance to the draft decision in conclusion 2002/5, under which the Board would encourage the donor community and other sources of financing to increase their voluntary contributions to UNIDO. Those draft decisions reflected both a wish to mobilize more resources for the formulation and implementation of technical cooperation projects and the need to use the scarce resources available more efficiently, in areas in which UNIDO enjoyed comparative advantage and the greatest economic and social impact could be achieved.

38. **Mr. CHAVEZ** (Ecuador), welcoming the positive assessment by the External Auditor of the financial performance of UNIDO contained in document IDB.26/2, said that his delegation supported the ongoing efforts to improve financial and programme performance and for that reason also supported the draft decision recommended in conclusion 2002/2 in the report of the Programme and Budget Committee (IDB.26/13).

39. The sharp fall in expenditure on technical cooperation during the past decade was clearly a cause for concern. The apparent upturn in the implementation rate in the biennium 2000-2001 was welcome, but more resources were nonetheless needed, and his delegation would like to see the level of voluntary contributions meet the Secretariat's forecasts. In that context, his delegation supported the draft decisions recommended in PBC conclusions 2002/3 and 2002/5.

40. Although Ecuador had for some time been facing a difficult economic situation, it was up to date with the payment of its assessed contributions. Moreover, the Government had contributed US$ 200,000 to the seed fund, fixed at US$ 1 million, for the integrated programme to improve the country's industrial competitiveness. UNIDO had also allocated US$ 200,000 from its own resources. The Ecuadorian authorities and UNIDO had been making preparations for the programme activities and, as a result, implementation of the first component of the programme—"Assistance to the National Competitiveness Council"—would begin in December 2002. He hoped that that information would encourage the donor community to make voluntary contributions to the integrated programme, for which the planned expenditure was US$ 4.7 million over three years.

41. His Government was grateful to the Secretariat for its commitment to the integrated programme and in particular for the study relating to the project on alternative generation of electricity with small hydroelectric plants of less than five megawatts. It would continue to work with the Secretariat on that project.

42. **Mr. SAHINBAS** (Turkey), noting that technical cooperation should remain the nucleus of UNIDO activities, said that the success of those activities was dependent on the mobilization of adequate funding and the timely payment of assessed contributions. His delegation was pleased to note, as mentioned in document IDB.26/9, that the rate of collection of 2002 assessed contributions had been 87.6 per cent—the highest since UNIDO had become a specialized agency. Nonetheless, the voting rights of 53 Member States had been suspended as at 31 July 2002. His delegation therefore reiterated its request that the Director-General should continue his efforts to collect arrears, and supported the view that payment plans should be encouraged. It was to be hoped that the proposed payment plan for Azerbaijan would be approved. The duration of payment plans was an issue of concern for other international organizations as well; the duration of their plans varied from 5 to 20 years.

43. **Mr. ZHANG Yan** (China) commended the achievements of UNIDO during the past year, in particular the progress of the reforms designed to

stabilize the Organization and improve its financial situation. His delegation was confident that the Director-General would lead UNIDO to further achievements in the future and that the appointment of the three new Managing Directors would bring a fresh vitality to the Organization. He was pleased to note that the rate of collection of 2002 assessed contributions had reached 87.6 per cent, significantly higher than in 2001. However, a number of Member States were still in arrears, and he called on them to pay their contributions in full and on time. He also hoped that the Secretariat would redouble its efforts to solve the problem of debts owed by former Member States. His delegation would continue to follow closely the situation of contribution collection as well as the general financial situation of the Organization.

44. With regard to the medium-term programme frameworks, 2002-2005 and 2004-2007, and the paper prepared by the delegation of Japan (IDB.26/15), his delegation considered that the priority areas and objectives outlined in the strategy paper conformed to the 1997 Business Plan. The Organization needed to review and adjust its operations on an ongoing basis in order to respond more effectively to new challenges and the changing needs of developing countries. However, sufficient funds were required in order to put such strategies and plans into practice, and his delegation therefore hoped that UNIDO would intensify its efforts to mobilize resources.

45. His delegation supported the active participation of UNIDO in major international events and also the organization by UNIDO of international forums such as the Global Biotechnology Forum to be held in Chile. It also welcomed the publication by the Secretariat of the Industrial Development Report, which would provide useful guidance for Member States, particularly developing countries. It was to be hoped that the report would become a permanent feature of the Secretariat's activities and that its quality would be further enhanced so that it would become an emblem of the Organization.

46. An international seminar on the most dynamic regions of China, organized jointly by UNIDO and the Chinese Government, would be held in China in December 2002. The Chinese authorities attached great importance to the event and were devoting substantial human and material resources to it. The seminar promised to be a good opportunity for discussion among specialists and experts who were interested in development issues, particularly those relevant to developing countries, and he invited UNIDO officials and experts to attend it.

47. **Mr. KIM Chang-mo** (Republic of Korea) welcomed the finding of the External Auditor that the Organization had achieved relevance, financial stability, improved technical cooperation delivery and improved quality of services, and commended the efforts of the Director-General and the Secretariat in that regard. He also welcomed the plan to establish an "Office of the Comptroller General" so as to strengthen internal oversight.

48. His delegation was pleased to note the improved rate of collection of outstanding contributions, but remained concerned at the non-payment of contributions or arrears which had led to the suspension of the voting rights of 53 Member States. He requested the Secretariat to continue its efforts to collect outstanding dues and called on those Member States in arrears to settle them. He also urged the Secretariat to make further efforts to enhance the implementation of technical cooperation activities designed to help developing countries strengthen their industrial capacities and become more competitive on the global market.

49. The level of funding for integrated programmes and country service frameworks was comparatively low: at the end of 2001, only about one third of the required funds had been made available. The percentage for some countries in Asia and the Pacific was only a single-digit percentage. His delegation urged the Secretariat to continue its efforts to mobilize the necessary funds and encouraged donors and Member States to increase their voluntary contributions.

50. **Mr. CABAÑAS RODRIGUEZ** (Cuba) welcomed the improvement in the financial situation of UNIDO over the past few years, which had enabled it to consolidate its position as a specialized agency promoting sustainable industrial development. The Organization needed to increase its visibility in recipient countries through concrete technical cooperation activities. However, those activities required additional resources, and he appealed for the understanding and flexibility of the donor community in that regard. Recipient countries, for their part, were responsible for making efficient use of the resources allocated to them, and the Organization's programmes and projects should therefore conform to the development priorities of the country in question. With regard to the integrated programme for Cuba, his delegation was pleased with the results achieved so far in key economic sectors such as food production and engineering industries, and also in investment promotion, computerization for the industrial sector and environmental protection.

51. **Mr. LAL** (India), emphasizing his country's commitment to the activities of UNIDO, said that India paid its assessed contributions promptly and regularly and had also been making voluntary contributions to the Industrial Development Fund. UNIDO had undergone a

successful transformation in recent years and had achieved stability. The Business Plan adopted in 1997 had laid the foundations for that transformation by sharpening the focus of the Organization's activities. His delegation was pleased to note that the financial and programme performance of the Organization continued to improve, according to the External Auditor. After the financial difficulties of the 1990s, there was now an operational budget surplus. The structural reforms of the past few years had made it possible to achieve all those improvements, and the reform process should continue. However, a period of stabilization was also needed to consolidate the progress made so far.

52. The External Auditor noted that the collection of younger receivables was excellent and that measures had been taken to increase the collection rate for old receivables (IDB.26/2, paras. 17-18). Nonetheless, it was a matter of concern that the voting rights of 53 Member States had been suspended because of the non-payment of contributions or arrears. His delegation therefore urged all Member States which had not yet done so to pay their assessed contributions, and also called on both current and former Member States to settle any arrears they might have.

53. The mobilization of financial resources remained critical to the effectiveness of the Organization. His delegation noted that in 2001 approximately half of extrabudgetary funding had been obtained under the Montreal Protocol and the Global Environment Facility, while the other half had consisted of contributions made by Governments through the Industrial Development Fund or the trust fund mechanism.

54. It was pleasing to note that UNIDO was devoting attention to the environmental aspects of industrialization. His country was committed to the promotion of cleaner production technologies, and a project in that area, organized jointly by UNIDO and Switzerland, was already under way in India. India was also supporting the formulation of projects using GEF funding.

55. **Mr. MOTTAGHI NEJAD** (Islamic Republic of Iran) said that the funds available to the Organization had decreased by nearly 50 per cent since 1990. That decline had been moderated by an increase in the number of projects funded under the Montreal Protocol, but as those projects were now reaching a conclusion more attention needed to be paid to the mobilization of additional funds. The recent replenishment of GEF had been the largest in its history and gave grounds to hope that the agreements reached at the World Summit on Sustainable Development in Johannesburg would be implemented. UNIDO should explore the possibility of obtaining resources from GEF, United Nations funds and bilateral development assistance agencies.

56. **Mr. MORENO** (Italy) said that voluntary contributions—both monetary and in kind—were often as important as assessed contributions for the work of UNIDO. Voluntary contributions not only made it possible to deal with new or urgent needs; in many cases, they enabled the Organization to fulfil its core mandate. In particular, funding for integrated programmes, regional programmes, field activities and important initiatives such as technology foresight and business incubators were largely dependent on voluntary contributions. Therefore, in line with PBC conclusion 2002/5, Member States and other financial sources should be encouraged to increase their voluntary contributions.

57. However, to achieve that aim, voluntary contributions needed to be accorded the same importance as assessed contributions. A strategy should be developed to encourage donors to finance regional projects and thematic initiatives through coherent fund-raising campaigns and burden-sharing proposals which could include recipient countries.

58. He welcomed the introduction of payment plans to help those countries in arrears. He also called on all Member States to support the Director-General in his efforts to attract new Member States to the Organization and to encourage former Member States to rejoin.

59. **Mr. MOKADADER** (Morocco), commending the constant efforts of UNIDO, and in particular the Director-General, to mobilize funds, welcomed the fact that the Organization continued to give priority to integrated programmes despite the instability of the funding situation. His delegation also welcomed the fact that UNIDO had sent a mission to Morocco in September 2002 to gather up-to-date information about the project for women's entrepreneurship development, which was a component of the country's integrated programme. In accordance with UNIDO guidelines, the Moroccan authorities intended to involve non-governmental organizations, local support institutions and local partners in the implementation of the programme. His delegation thanked Spain in particular for substantially increasing its contribution to the programme.

60. His delegation shared the view that Member States should consider increasing their voluntary contributions to UNIDO. Moreover, it would be desirable for donor countries to give contributions that were not tied to specific projects so that the Organization could implement integrated programmes in a coordinated manner.

61. **Mr. HENDAOUI** (Tunisia) welcomed the results achieved so far in the process of reform of UNIDO, in particular the financial stability which had been established in the past two bienniums. His delegation also welcomed the report of the External Auditor and the comments of the Director-General on it (IDB.26/2 and IDB.26/3). It was particularly pleasing to note that the unencumbered balances of appropriations had fallen significantly since the period 1994-1997. Moreover, the rate of collection of assessed contributions in 2002 had been the highest since UNIDO had become a specialized agency.

62. His delegation was nonetheless concerned that the voting rights of a number of Member States had been suspended, and stressed the vital importance of settling arrears and paying contributions on time. His delegation was also concerned about the continued decrease in technical cooperation expenditure and delivery highlighted by the External Auditor.

63. His delegation welcomed the Director-General's efforts to mobilize financial resources, since the funds available for technical cooperation under the regular budget were limited. It was pleasing to note that priority was being given to the mobilization of funds for the implementation of integrated programmes and, in that regard, his delegation welcomed the launch of a trust fund to finance activities linked to the initiative presented at the International Conference on Financing for Development at Monterrey, Mexico. However, although the mobilization of resources was important, it was equally important for the relevant authorities and UNIDO field representatives to promote close relations with donors. In addition, more effort should be made to encourage voluntary contributions, which were as important as regular budget contributions.

64. **Mr. MANALO** (Philippines) said that his delegation had noted the recommendations contained in the report of the Programme and Budget Committee. He also welcomed the report of the External Auditor and said that his delegation was particularly interested in the recommendations it contained in the following areas: the full implementation of the Financial Performance Control System, within the limits of existing human resources; steps to improve gender balance and geographical representation in the Secretariat; enhancement of the functions of the Internal Oversight Group; greater coordination between UNIDO field offices in recipient countries; harmonization of UNIDO processes with the standard procedures of the donor community; and efforts to increase the Organization's financial resources through the effective collection of dues from both current and former Member States and new initiatives to mobilize extrabudgetary resources. Those recommendations and others in the report of the External Auditor were crucial in order to enhance service delivery, and their implementation should be closely monitored in the coming years.

65. **Ms. AL-RAFIE** (Jordan), commending the process of reform of the Organization's structure and financing, said that her delegation welcomed the continued emphasis on technical cooperation delivery in the reports submitted to the Board. She also welcomed efforts to improve accountability and efficiency in the mobilization of resources. Although the rate of collection of assessed contributions had improved, the Organization must be realistic in its projections of contributions and should distribute the available funds more equitably. It was a matter of concern that the voting rights of a number of countries had been suspended, and efforts to collect arrears should be continued. The momentum of technical cooperation projects must be maintained.

66. Her delegation had noted with interest that the External Auditor had examined two projects in one developing country as part of a general review of the Organization's technical cooperation activities. Further such reviews should be conducted in the future because they enabled the Organization to obtain qualitative feedback on implemented projects, which in turn improved the selection and implementation of future projects. Of the two projects examined by the External Auditor, one had been found to be economically unviable. With regard to the other, weaknesses in administrative procedures had been identified which would have made it possible for cases of corruption—not necessarily involving UNIDO—to arise. Such project feedback was extremely important, and her delegation therefore requested the Organization to ensure that the next report of the External Auditor contained reviews of a larger and more representative sample of projects.

67. The conclusions in paragraphs 75-80 of document IDB.26/2 concerning the planning of project activities were very important. It was also necessary to have alternative work plans and to impose penalties on companies that were late in fulfilling their obligations and which failed to adhere to equipment specifications. The provision of manuals in the relevant national languages was particularly important in order to ensure that projects were implemented properly and safely. The implementation of a code of ethics, also recommended by the External Auditor, was absolutely essential, and her delegation was pleased to note the Director-General's positive stance on that issue.

68. UNIDO still did not have a comprehensive system of quality management. Discussions on the matter should be concluded without delay so that decisions

could be taken on specific issues such as the establishment of reliable performance assessment criteria for various areas, including human resources. The reform process in the Organization had already produced positive results but was not yet complete, and her delegation therefore encouraged the Internal Oversight Group to continue its work. In addition, ways of reducing the time spent on administrative tasks should be explored, so that efforts could be focused on actual programme implementation.

69. **Mr. DE MIGUEL ALVAREZ** (Spain) said that his delegation concurred with the general opinion among Member States that the reform of UNIDO, which had been the main objective of the Director-General's first term, had been very successful. The Organization had now entered a new phase and must take up the challenge of ensuring that its cooperation had a positive and visible impact in recipient countries. To improve the impact of UNIDO's work, the Director-General had undertaken a restructuring exercise, and his delegation welcomed the three new Managing Directors.

70. In recent years, Spain had demonstrated its commitment to UNIDO by participating in an ongoing dialogue with a view to helping define the Organization's policy, by making contributions to the Industrial Development Fund and by putting forward proposals for involving the Spanish private sector in UNIDO activities. Most of his country's voluntary contributions over the years had helped to finance a project for women's entrepreneurship development under the integrated programme for Morocco, and he appreciated the comments made by the representative of Morocco in that regard.

71. Spain continued to take a great interest in integrated programmes and also welcomed the information provided about the thematic initiatives. It was to be hoped that those initiatives would serve to strengthen the Organization's activities, facilitate the mobilization of resources and improve the effectiveness of integrated programmes. The initiatives in the areas of trade facilitation and rural energy were of particular interest to his country.

72. **Mr. SCHNYDER VON WARTENSEE** (Switzerland), commending the achievements of UNIDO over the past year, welcomed in particular the stabilization of the Organization's financial situation. His delegation was particularly pleased to note that the rate of collection of 2002 assessed contributions, at 87.6 per cent, was the highest achieved since UNIDO had become a specialized agency. That reflected Member States' satisfaction with the work done by UNIDO, and he wished to encourage the Organization to continue its efforts in the same direction.

The meeting rose at 6.15 p.m.